Chapter 21

Minority-Owned Suppliers A Growing Global Supply Base

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ABSTRACT

The increased focus on globalization, corporate social responsibility, sustainability, supplier diversity and other socially responsible initiatives have made minority-owned businesses an important supply base for buyers. Moreover, this emphasis has established a need for buyers to develop long-term effective relationships with minority owned firms. Businesses seeking to increase their global supplier diversity need to understand the global challenges of defining “minority” and other critical relational issues in order to increase effectiveness. Based on a review of the literature, and interviews with a minority supplier director this chapter discusses these challenges and offers practical implications.

INTRODUCTION

General research in the field of supply chain management on upstream activities, not only offers minimum insight and input from the suppliers’ perspective, but there is also minimum insight and input from the minority-owned business perspective. This oversight limits the ability of businesses or buyers to build and maintain effective relationships with minority businesses. Research that confronts the relationship challenges can close the gap of misunderstanding and make gains that lead to healthy functional business relationships. In this chapter, we attempt to minimize this gap by discussing the growing role of global minority owned businesses who supply non minority owned businesses (hereafter referred to as buyers) with necessary resources, products and services. We discuss ways that non-minority buyers can build successful relationships with minority owned businesses (minority owned businesses and minority suppliers will be used interchangeably) and the way global businesses are handling this growing initiative. Two critical relationship variables that contribute to business relationship success are trust and commitment (Greer & Hill, 2012). It has been well established in the social sciences that trust has a critical role in facilitating successful relationships (Blau, 1964; Zucker, 1986; Coleman, 1988). In a business relationship, each business must be able to have confidence that they can rely on the other to
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Successfully carry out said responsibilities. Moreover, a successful relationship between two businesses must have a commitment. Each business must be assured that the other will “commit” to carrying out those said responsibilities.

Existing literature is abounding with research pertaining to the role of trust and commitment between buyers and suppliers. The majority of these studies explain the importance of trust and commitment from the buyers’ point of view. Conversely, less attention has been paid in existing literature to the suppliers’ point of view. Moreover, extant literature offers little insights on minority owned businesses and their perspective on buyer supplier relationships. Moreover, other variables that occur during the negotiation and business exchange, such as cooperation, problem solving and compromise are absent from consideration (Cooper & Stump, 2015). Current research such as Greer & Hill, (2012), Theodorakopoulos, (2013) and Theodorakopoulos & Ram, (2008) add to this discussion by offering conceptual relationship models.

Obtaining and maintaining relationships with minority owned businesses is considered a strategic and competitive advantage for most businesses. Yet, the ability to realize this advantage has been challenging. We discuss these challenges in this chapter.

Research Impetus

Organizations are seeking to develop long-term, innovative relationships with their suppliers. One important segment of the supply base that is often ignored is minority-owned suppliers. Many companies place the responsibility of building relationships with minority owned business in their supplier diversity programs. One of the reasons supplier diversity has increased in importance and evolved into a market-driven strategy is that it makes the kind of bottom-line sense that corporations understand. For example, IBM states that a diverse supplier base is integral to its corporate objectives and strategic imperatives because it solidifies the connection between customer satisfaction and winning in the marketplace (IBM, 2015).

In an article on partnering for profit, John Barth, chairman and then CEO of Johnson Controls and chairman of the National Minority Supplier Development Council (NMSDC) stated that Corporate America’s strategic relationship with its minority suppliers is also part of the effort to become more like the customer base it serves. The bottom line is that by helping our customers do business, we help ourselves (Time, 2005). Atsushi Niimi, president and CEO, Toyota Motor Manufacturing North America, Inc. states that “we believe the continuous growth of our supplier diversity program is a must, and we are striving to be the best in our industry, and our commitment to supplier diversity is an integral part of our success, and we know that this commitment must continue to grow” (Time, 2005, p. 45). Other companies are also realizing benefits. AT&T documented that supplier diversity was a factor in generating $1.1 billion dollars in revenue for 2006 (Varmazis, 2007). Time Warner Cable stated that supplier diversity has fostered new levels of innovation, creativity and customer focus (Britt, 2007). Others have stated that supplier diversity has brought about a fresh approach to the look of cars, fresh designs for the use and look of technology and a broader base for its products (Witherspoon, 2006). Consequently, organizations are realizing that they don’t want to be restricted when looking for the best partners that will impact their business success and competitiveness. Michael Porter (1995) highlights the value of minority businesses by explaining why we should grow minority businesses. He points out the many businesses that supply food products (i.e. Parks Sausage and Brooks Sausage), and hair products (i.e. Soft Sheen, Dudley and Luster products). These companies meet the needs of many minorities and have gained success over larger and established businesses such as Procter & Gamble.